Australian Pork Limited

SUBMISSION ON THE BIOMETHANE METHOD PACKAGE

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1. Executive Summary

The Australian Pork Industry is committed to reducing green-house gas emissions, as indicated by targets identified in our Australian Pork Limited (APL) Strategic Plan 2020-2025 (Strategic Plan) and Sustainability Framework 2021 – 2030 (Sustainability Framework).

The opportunity to create Australian Carbon Credit Units (ACCUs) through the Emissions Reduction Fund (ERF) can assist implementation of biogas and biomethane systems in Australian piggeries and support our industry to meet key emission targets.

APL welcomes the opportunity to provide comment on the *Biomethane method package: proposed new method activity under the Emissions Reduction Fund (ERF)* to support increased and improved methods to further incentivise uptake of emissions reduction activities, and opportunities to participate in the creation and sale of ACCUs.

2. Recommendations

Recommendation 1: APL supports the introduction of the biomethane method package as an additional support for producers who are seeking to construct and operate biogas systems, and as a support for those currently running systems to upgrade technologies for creation and export of biomethane.

Recommendation 2: APL supports opportunities for additional feed stocks being introduced into the biomethane method package to optimise system operations and reduce waste being sent to landfill.

Recommendation 3: APL strongly encourages the Clean Energy Regulator to work towards simplification of all existing and any new methods under the ERF to improve access by producers to schemes that support uptake of biogas and biomethane systems, and other emissions reduction activities.

Recommendation 4: Given the complexities of ERF schemes, APL welcomes the opportunity to collaborate with government to support the extension and implementation of the scheme with pork producers and the broader supply chain.

Recommendation 5: APL notes the importance of support for improved local and regional infrastructure that will facilitate the introduction of biomethane or electricity from biodigesters into the national grid, or clear pathways for sale of biomethane where the national grid is unavailable.

3. Australian Pork Limited

APL is the national representative body for Australian pork producers. APL is a producer-owned notfor-profit company combining marketing and export growth, research and innovation, and policy development to assist in securing a profitable and sustainable future for the Australian pork industry.

As the most consumed meat globally and the second most consumed meat in Australia, pork is an important part of our diets. Australia's domestic sow herd numbers approximately 270,000, housed in approximately 4,400 registered sites nationwide. In 2021, the Australian pork industry produced almost 437,000 metric tonnes of pork and of which 9% was exported.

The domestic pork industry plays a vital role in contributing to Australia's food security owing to the restrictions that Australia's biosecurity laws place on the importation and sale of fresh pork from overseas. All fresh pork consumed in Australia is domestically sourced.

In a typical year, the pork industry, including pig production, primary and secondary processing, and wholesale, contributes \$5.3 billion in gross domestic product to the Australian economy and supports about 36,000 jobs nationally. The industry is largely based in regional Australia, with the largest volume of production sourced from Queensland, Victoria, and South Australia, respectively.

4. Emissions reduction in the Australian pork industry

The Australian Pork Industry is committed to reducing greenhouse gas emissions, with ambitious targets included in our Strategic Plan and recently released Sustainability Framework.

The industry has reduced its emissions by 69% since the 1980's and continues to work to reduce emissions further. With an emissions intensity of 3.3 kg CO_2 -e / kg liveweight Australian pork is already a low emissions protein.

Recognising the opportunities for reducing costs of production and emissions, the industry has invested in research and extension to support uptake of biogas collection by our producers. The Bioenergy Support Program, operated through the then Pork CRC ran from 2013 - 2015 and provided one on one practical support to implement biogas systems. The peak of biogas system uptake occurred through this time. The industry has also produced extension materials including information guides, manuals, and calculators to support decision making and implementation of biogas systems.

Despite this support, uptake by producers is limited. This is attributed to a range of factors including high cost of implementation for systems, with smaller system upfront costs estimated at around \$1million dollars, with estimated pay back periods of 5 to 7 years. Aside from costs, the skills required to establish and run a biogas system are fundamentally different to those generally held by pork producers and combined with the administrative requirements for approvals, means there are clear barriers to uptake of the technology.

5. The Biomethane Method

The Australian Pork industry is supportive of any programs that facilitate improved environmental and economic performance of the industry. The proposed biomethane method package will provide an additional income source for producers who seek carbon credits for implementing a biogas collection system.

APL supports further investigation into the range of recognised feed stocks for biomethane creation. The manure created by pigs is itself not an optimal feedstock for biogas and biomethane production, broadening the eligible feedstocks will allow pig producers to make use of a broader range of locally available materials to improve digester performance. Optimising the efficiency of biogas systems will support the financial costs of implementation and provide an alternate disposal pathway for agricultural or other wastes that may ordinarily be sent to landfill.

6. Broader Emissions Reduction Fund challenges

While there are current ERF methods available to the pork industry, both the administrative requirements and scheme settings do not provide sufficient incentive for many to participate. In addition, there is limited plain-English material available to support producers to navigate the complexity of the application process and scheme requirements. These impediments are demonstrated in the very low uptake of the program, with only around 16 producers currently registered, where there are potentially over 100 producers with sufficient scale of operations to make biogas systems practically feasible.

6.1 Scheme complexity

Additionality (newness) requirements

The existing scheme settings have created issues for interested producers. The additionality (newness) requirements mean that some producers who have been interested in reducing their carbon footprints have inadvertently ruled themselves out prior to application. By commencing ordering equipment before applying to the program they find themselves in breach of the newness requirements even though no credits have been created. Audit costs and limited crediting periods also mean that smaller producers do not create sufficient credits to cover costs of participation.

This combined with the administrative complexity of applying for and participating in the scheme and applying for planning permits provides a significant disincentive for participation. This information is shared between producers and is likely to limit interest in uptake of both the technology and the scheme.

Regulatory requirements

Projects are not eligible for participation in the ERF if actions are required through regulatory requirements. The majority of pork industry systems registered under the ERF were existing piggeries that retrofitted biodigester systems, so planning approvals were for the system only and often occurred post ERF application. As the industry is looking to expand through the building of new greenfield sites there is confusion around the rules of regulatory additionality. Clarity is required on

how the scheme is dealing with planning applications and works approvals that include biogas systems. Guidance is required for producers on whether applications for ERF must be made before planning approvals are sought, to ensure that applications are not disallowed due to the regulatory additionality requirements. If this is the case there is a risk that ERF registration occurs well in advance of receipt of planning approval and completion of construction, which can take up to 2 years, resulting in a reduced crediting period for projects. APL has been working with the Clean Energy Regulator (CER) to identify these issues and looks forward to a resolution that will reduce red tape and streamline processes for producers.

6.2 Scheme settings

While we recognise the importance of limiting government subsidisation of carbon trading, it is disappointing that the scheme currently only provides for crediting periods of 7 or 12 years, when methane production is an ongoing activity within a piggery.

Creation of Australian Carbon Credit Units (ACCUs) is currently only available through participation in schemes run through the ERF. Crediting periods for emissions avoidance projects, such as the proposed biomethane method package are limited to 7 years for energy creation and 12 years for flaring or biomethane production, while projects sequestering carbon have a crediting period of 25 years.

The current limitations on crediting for 7 years for electricity and 12 years for flaring mean that producers cannot continue to create or trade credits, outside the ERF scheme, regardless of whether they are trading with the government or a third party.

The international requirements for additionality also mean that producers cannot access other schemes at the completion of their ERF crediting period. These settings mean that a potential ongoing source of easily verifiable carbon credits will be unavailable to market participants seeking to offset their emissions and would contribute to ongoing liquidity in the recently announced Australian Carbon Exchange. It also removes a potential income source to diversify sometimes volatile incomes for pork producers and other users of animal effluent and biomethane methods.

In considering how the ERF and broader Australian carbon market can be supported, the CER should consider a clearer separation of the creation of ACCUs from government purchase, so that credit creation is limited only by available abatement opportunities and not the appetite for government funding of abatement. The creation of the Australian Carbon Exchange indicates an interest in supporting an ongoing and viable carbon market in Australia, however the current ERF settings are unnecessarily limiting opportunities to provide credits to support the market's operation.

As carbon markets develop within Australia and new land-based methods are more appropriate for smaller scale projects, the ability to stack projects to streamline reporting and audit requirements should be prioritised to further reduce the administrative burden and costs associated with participating in ERF projects.

6.3 Infrastructure requirements

Increased uptake in renewable energy generation through biogas and biomethane production provides opportunities for producers to export excess electricity or gas that is not used on site. This export is challenging in rural and remote areas as access to the national gas and energy grids may not be possible, and requirements for registration and regulation can be challenging for producers. Increased incentives for biomethane production and renewable energy production through a range of mechanisms will need to be supported through programs that improve and streamline access to gas and electricity grids in rural and remote communities.

7. Conclusion

APL supports the expansion of emissions reduction activities available within the pork industry, which will enhance the environmental and economic outcomes for pork producers. The existing settings and scheme administrative requirements do not currently provide sufficient incentive for broad participation by the industry. APL is willing to continue to work closely with the Clean Energy Regulator to improve extension materials and create more opportunities for better engagement with the ERF scheme.





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